

Message Text

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ACTION EUR-12

INFO OCT-01 EA-07 IO-13 ISO-00 EURE-00 AID-05 CEA-01
CIAE-00 COME-00 EB-07 FRB-03 INR-07 NSAE-00 CIEP-01
SP-02 STR-04 TRSE-00 LAB-04 SIL-01 OMB-01 DODE-00
DOTE-00 FMC-01 SAL-01 CG-00 DLOS-06 OES-06 /083 W
-----191844Z 100521 /43

P R 191722Z JAN 77

FM USMISSION EC BRUSSELS

TO SECSTATE WASHDC PRIORITY 2802

INFO ALL EC CAPITALS 2995

AMEMBASSY TOKYO

USMISSION OECD PARIS

USDEL MTN GENEVA

LIMITED OFFICIAL USE EC BRUSSELS 537

E.O. 11652: N/A

TAGS: EEC, EIND, ETRD, JA, OECD

SUBJECT: EC CONSIDERATION OF MEASURES TO AID SHIPBUILDING INDUSTRY

REF: (A) EC BRUSSELS 12429, (B) TOKYO 18790

1. EC COMMISSION OFFICIAL RESPONSIBLE FOR SHIPBUILDING,
CONSTANTINO FRIZ, TOLD MISSION THAT COMMISSION WAS LOOKING
AT A RANGE OF MEASURES TO AID COMMUNITY SHIPBUILDERS DURING
THE RECESSION. THIS ACTION IS A REACTION TO THE INADEQUATE
RESPONSE THE JAPANESE GOVERNMENT MADE IN THE OECD TO EC
DEMANDS FOR A WORLDWIDE MARKET SHARING OF SHIP CONSTRUCTION
CONTRACTS (REFTELS).

2. FRIZ SAID THE COMMISSION WAS LOOKING AT FOUR DIFFERENT TYPES
OF POSSIBLE ASSISTANCE. THESE WERE CREDITS, DIRECT SUBSIDIES
TO EC SHIOPWNERS OR SHIPBUILDERS, CHANGES IN
MARITIME POLICY RE FLAGS OF CONVENIENCE AND PORT RIGHTS AND
LASTLY, RETALIATION AGAINST OTHER JAPANESE PRODUCTS SUCH AS SHOES.

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3. FRIZ SAID THE COMMISSION WAS MOST INTERESTED IN THE FIRST
TWO CATEGORIES AND THAT THE LAST (TRADE RETALIATION) WAS MOST
UNLIKELY, AND HE SAID THE COMMISSION HAD NO INTENTION OF FORCING
PEOPLE TO BUY FROM EC SHIPYARDS. HE REALIZED THAT THERE WAS A
DANGER OF DOING HARM TO THE NOTION OF FREE TRADE AND ADMITTED
IT WOULD BE MOST DIFFICULT TO WITHDRAW THESE AIDS ONCE THEY ARE

GIVEN.

4 FRIZ SAID, HOWEVER, HE WAS ABSOLUTELY CERTAIN THAT IF THE EC DID NOT SOON, EITHER OBTAIN SATISFACTION FROM THE JAPANESE, OR AGREE ON ASSISTANCE MEASURES, THAT MEMBER STATES WOULD DO SO INDIVIDUALLY WITH EACH TRYING TO LEAPFROG THE ASSISTANCE EFFORTS OF THE OTHER.

5. FRIZ ALSO ARGUED THA THE SITUATION WAS TRULY DISASTROUS AND THAT THE JAPANESE HAD FAILED TO GIVE ANY SATISFACTION OR EVEN INDICATE THAT THEY FULLY GRASPED THE SCOPE OF THE EC PROBLEM. THE EC PROBLEM HAS BEEN AGGRAVATED BY THE FACT THAT SHIP-BUILDING IN THE EC IS A RELATIVELY SOPHISTICATED INDUSTRY WHICH HAS STRONG LINKS TO OTHER VITAL INDUSTRIES LIKE ELECTRONICS, AND MOST OF THE HARDEST HIT AREAS HAVE BEEN THE POORER REGIONS OF THE COMMUNITY, I.E., SOUTHERN ITALY, EASTERN FRANCE, NORTHERN GERMAN6, IRELAND AND SCOTLAND. BASICALLY, HE SAID THE COMMUNITY NEEDS TO KEEP THE STRONGER COMPANIES AFLOAT WHILE ALLOWING FOR A GRADUAL DISAPPERANCE OF THE WEAK. WHILE THE EC WAS REDUCING ITS SHIPBUILDING CAPACITY DURING THE LAST FIVE YEARS (97 SHIPYARDS CLOSED) JAPANESE CAPACITY HAS BEEN INCREASING.

6. FRIZ SAID THAT THE COMMISSION HAD NOT YET REACHED A CONSENSUS ON MEASURES NEEDED BUT WAS SCHEDULED TO MEET ON FEB 3 AND AGAIN ON FEB 17 AFTER IT CAN ASSESS THE JAPANESE RESPONSE AT THE OECD MEETING ON SHIPBUILDING SCHEDULED FOR FEB 7-9. FRIZ THOUGHT THAT THE JAPANESE HAD AN OPPORTUNITY TO QUIET TORUBLED WATERS BY GIVING SOME ASSURANCE THAT SHIPBUILDERS WOULD CUT WHAT THE EC REGARDS AS AN ARTIFICIALLY LARGE PRICE ADVANTAGE. HE SAID IT WOULD LIMITED OFFICIAL USE

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PROBABLY LOOK GOOD AND COST THEM LITTLE TO MOVE FROM A 30 PERCENT DIFFERENTIAL TO ABOUT FIVE OR TEN PERCENT SINCE HIGHER REVENUES WOULD MAKE UP FOR ANY LOSS OF BUSINESS AND TRADITIONAL BUYER/GUILDER ATTACHMENTS WOULD LIMIT LOSS OF BUSINESS IN ANY CASE. HINTON

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Message Attributes

Automatic Decaptoning: X
Capture Date: 01-Jan-1994 12:00:00 am
Channel Indicators: n/a
Current Classification: UNCLASSIFIED
Concepts: SHIPBUILDING INDUSTRY, SUBSIDIES
Control Number: n/a
Copy: SINGLE
Sent Date: 19-Jan-1977 12:00:00 am
Decaption Date: 01-Jan-1960 12:00:00 am
Decaption Note:
Disposition Action: RELEASED
Disposition Approved on Date:
Disposition Case Number: n/a
Disposition Comment: 25 YEAR REVIEW
Disposition Date: 22 May 2009
Disposition Event:
Disposition History: n/a
Disposition Reason:
Disposition Remarks:
Document Number: 1977ECBRU00537
Document Source: CORE
Document Unique ID: 00
Drafter: n/a
Enclosure: n/a
Executive Order: N/A
Errors: N/A
Expiration:
Film Number: D770020-0414
Format: TEL
From: EC BRUSSELS
Handling Restrictions: n/a
Image Path:
ISecure: 1
Legacy Key: link1977/newtext/t19770138/aaaabhde.tel
Line Count: 102
Litigation Code IDs:
Litigation Codes:
Litigation History:
Locator: TEXT ON-LINE, ON MICROFILM
Message ID: e6f1a2d4-c288-dd11-92da-001cc4696bcc
Office: ACTION EUR
Original Classification: LIMITED OFFICIAL USE
Original Handling Restrictions: n/a
Original Previous Classification: n/a
Original Previous Handling Restrictions: n/a
Page Count: 2
Previous Channel Indicators: n/a
Previous Classification: LIMITED OFFICIAL USE
Previous Handling Restrictions: n/a
Reference: 77 EC BRUSSELS 12429, 77 TOKYO 18790
Retention: 0
Review Action: RELEASED, APPROVED
Review Content Flags:
Review Date: 22-Nov-2004 12:00:00 am
Review Event:
Review Exemptions: n/a
Review Media Identifier:
Review Release Date: n/a
Review Release Event: n/a
Review Transfer Date:
Review Withdrawn Fields: n/a
SAS ID: 3562111
Secure: OPEN
Status: NATIVE
Subject: EC CONSIDERATION OF MEASURES TO AID SHIPBUILDING INDUSTRY
TAGS: EIND, ETRD, EWWT, JA, EEC, OECD
To: STATE
Type: TE
vdkvgwkey: odbc://SAS/SAS.dbo.SAS_Docs/e6f1a2d4-c288-dd11-92da-001cc4696bcc
Review Markings:
Margaret P. Grafeld
Declassified/Released
US Department of State
EO Systematic Review
22 May 2009
Markings: Margaret P. Grafeld Declassified/Released US Department of State EO Systematic Review 22 May 2009